

Members

Sen. Patricia Miller, Chairperson
Sen. Gary Dillon
Sen. Beverly Gard
Sen. Connie Lawson
Sen. Ryan Mishler
Sen. Marvin Riegsecker
Sen. Greg Server
Sen. Billie Breaux
Sen. Vi Simpson
Sen. Connie Sipes
Sen. Timothy Skinner
Rep. Vaneta Becker, Vice-Chairperson
Rep. Timothy Brown
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Rep. Mary Kay Budak
Rep. Richard Dodge
Rep. David Frizzell
Rep. Don Lehe
Rep. Charlie Brown
Rep. Craig Fry
Rep. Carolene Mays
Rep. David Orentlicher
Rep. Scott Reske



HEALTH FINANCE COMMISSION

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MEETING MINUTES¹

Meeting Date: July 5, 2005
Meeting Time: 1:00 P.M.
Meeting Place: State House, 200 W. Washington St., Senate Chambers
Meeting City: Indianapolis, Indiana
Meeting Number: 1

Members Present: Sen. Patricia Miller, Chairperson; Sen. Gary Dillon; Sen. Beverly Gard; Sen. Connie Lawson; Sen. Marvin Riegsecker; Sen. Connie Sipes; Sen. Timothy Skinner; Rep. Timothy Brown; Rep. Robert Behning; Rep. Richard Dodge; Rep. David Frizzell; Rep. Charlie Brown; Rep. Carolene Mays; Rep. David Orentlicher; Rep. Scott Reske.

Members Absent: Sen. Ryan Mishler; Sen. Greg Server; Sen. Billie Breaux; Sen. Vi Simpson; Rep. Vaneta Becker, Vice-Chairperson; Rep. Mary Kay Budak; Rep. Don Lehe; Rep. Craig Fry.

Senator Patricia Miller, Chairperson, called the meeting to order at 1:05 p.m and introduced

¹ Exhibits and other materials referenced in these minutes can be inspected and copied in the Legislative Information Center in Room 230 of the State House in Indianapolis, Indiana. Requests for copies may be mailed to the Legislative Information Center, Legislative Services Agency, 200 West Washington Street, Indianapolis, IN 46204-2789. A fee of \$0.15 per page and mailing costs will be charged for copies. These minutes are also available on the Internet at the General Assembly homepage. The URL address of the General Assembly homepage is <http://www.ai.org/legislative/>. No fee is charged for viewing, downloading, or printing minutes from the Internet.

the members of the Commission. Senator Miller stated that this meeting would be an introduction to the issues that will face the Commission this summer.

Malpractice Insurance Costs

Ms. Cindy Donovan, Deputy Commissioner, Financial Services Operations of the Indiana Department of Insurance, provided the Commission with an overview of the Indiana Residual Malpractice Insurance Authority (IRMIA) and the Indiana Patients' Compensation Fund (PCF). See Exhibit 1. Ms. Donovan stated that the corporation rating and underwriting methodology used in IRMIA was changed to more accurately reflect exposure and that increased risk margins were incorporated into the new IRMIA rates which were increased to 100% combined ratio in order to improve IRMIA's financial integrity. The overall IRMIA rate increase is 35.6%. (See Exhibit 1 for the rate increase for each IRMIA category.) Ms. Donovan further explained that IRMIA assess surcharges of as much as 200% of the base premium based on several factors such as past claims or disciplinary actions against the individual. The rate increases in IRMIA are necessary to insure that IRMIA remains solvent.

Ms. Donovan stated that the PCF provides funds to pay malpractice claim settlements and judgments with a cap of \$1.25 million, and that the first \$250,000 of that amount is paid by the malpractice insurer of the provider against whom the claim was filed. Participation in the PCF is voluntary. The PCF is funded by surcharges on malpractice premiums. These surcharges were increased on February 1, 2005, and April 17, 2005 as a result of recommendations from consulting actuaries. The increases in PCF are necessary to insure that the PCF is adequately funded. Ms. Donovan gave an example of a court decision that allows one malpractice incident to be counted as more than one exposure. See Exhibit 1.

The Commission requested information concerning rate increases by county in the state and increases in other states in the previous two years. The Commission also asked for statistics regarding whether any doctors practicing in the state have stopped providing obstetrician services due to the cost of malpractice insurance.

Infertility Issues

Dr. Eric Meslin, Indiana University, testified that approximately one million children around the world have been born using assistive reproduction since the first test tube baby in 1978, raising many ethical, legal, and moral issues in the field. Recently, stem cell research has raised these issues to the forefront because of the manner in which stem cells are obtained. Dr. Meslin stated that infertility clinics are some of the least regulated entities in the health care industry. The lack of regulation makes it difficult to gather data and statistics because reporting by the clinics is not comprehensive. Dr. Meslin stated information that would be helpful to know includes the number of infertility clinics in the state, the technology being used by the clinics, the types of information and consent forms given to clients, and whether each clinic defines "success" in the same manner. In response to a question by the Commission, Dr. Meslin stated that it is not uncommon to advertise in this area. Dr. Meslin informed the Commission that the American Society of Reproductive Medicine does have guidelines in this field. Dr. Meslin testified that federal regulation in this field merits being looked at first. The Chairperson stated that the cost to couples for infertility treatment is very expensive.

Dr. John Jarrett stated that he has assisted in around 10,000 births using in vitro and other related procedures. Dr. Jarrett disagrees with Dr. Meslin's statement that this field is not regulated enough, stating that the federal Centers for Disease Control and Prevention (CDC) collects statistics and that information is accessible in this area. Furthermore, the American Society of Reproductive Medicine has stringent accreditation requirements. See Exhibit 2. Dr. Jarrett stated that 95% of the programs adhere to the American Society of Reproductive Medicine criteria. Dr. Jarrett stated that his clinic does not destroy or experiment with embryos. Dr. Jarrett's clinic provides clients with options and will assist clients with embryo adoption if the clients choose this route. Dr. Jarrett testified that his clinic does not pay couples for embryos but will reimburse donors for the time and

effort of ova donation. Dr. Jarrett stated that it would be too difficult to implement standardized protocols in this field, explaining that he has ten different protocols that he follows depending on the specifics of each case.

In response to a question from the Commission, Dr. Jarrett informed the Commission that he is conservative in the number of embryos transferred to an individual, stating that his clinic has chosen to transfer two embryos, although this number is not regulated in the field. Dr. Jarrett further testified that infertility clinics are not licensed per se, but that he is licensed as a physician.

Long term Care Issues

Secretary Mitch Roob, Secretary of FSSA, stated that a brief moratorium on the building of nursing homes in the state is necessary because of the Medicaid nursing home quality assessment fee that was recently approved for the state by the federal government. Secretary Roob stated that the need for a moratorium is regrettable because he in general does not support governmental moratoriums, but that he fears an influx of additional nursing facilities, including facilities from other states moving into Indiana. The Commission stated that the Commission would like Secretary Roob's input as to whether there would be any exceptions to the moratorium. Secretary Roob stated that he hoped the moratorium would be needed for less than two years. In response to a question, Secretary Roob stated that he has concerns with a certificate of need system.

Ms. Faith Laird, Indiana Health Care Association, stated that she would like to see the report that FSSA has to submit by December to the Legislative Council concerning long term care. Ms. Laird testified that she has supported a moratorium in the past as long as there are not any exceptions to the moratorium. Ms. Laird stated that she would like the General Assembly to consider legislation requiring nursing homes to install sprinkler systems for the safety of patients. Ms. Laird acknowledged that retrofitting sprinkler systems in nursing homes is expensive and that nursing homes may need a time frame of three to five years to meet a sprinkler requirement. Ms. Laird suggested that money from the quality assessment fee covering the conversion and closure of nursing homes could be used to pay for sprinkler installation once that money is no longer needed for the original purpose. Ms. Laird informed the Commission that 92% of the facilities of Indiana Health Care Association's members are fully sprinkled. Chairperson Miller stated that a proposed draft on fire safety will be reviewed by the Commission this summer.

Mr. Jim Leich, Indiana Association of Homes & Services for the Aging, stated that a moratorium is a complicated issue. Mr. Leich testified that he would support a short moratorium with an exemption for continuing care retirement communities or facilities with high occupancy. In response to a question from the Commission, Mr. Leich stated that a "short moratorium" would last one or two years. Mr. Leich also testified that retrofitting older concrete buildings with sprinklers would be very expensive and funding would be an issue.

Implementation of Legislation by the Department of Health

Michelle Milliken, Legislative Director for the Department of Health, stated that the Department of Health's implementation of both the food handler legislation and the storm safety legislation that passed last session is completed. The Commission discussed problems in the retail food industry with sanitation and requested that the Department of Health promote cleanliness in food handling. See Exhibit 3 for a chart on legislation implementation and other material distributed by the Department of Health.

FSSA Outside Audit and Response Presentation

Secretary Roob informed the Commission that the outside audit by KPMG is available online at www.in.gov/fssa/PDF/Draft_FSSA%20Diagnostic%20Review%20Report_6.09.05.pdf.

Secretary Roob gave a power point presentation highlighting the problems FSSA faces. See Exhibit 4. KPMG cited 185 risks in the audit of FSSA. One of the major risks KPMG noted was that FSSA does not have a centralized accounting system. Other risks include: (1) FSSA did not have a medical director; (2) the technology was outdated and poor; and (3) there was not coordination in applying for grants, procurement, or contracts. (See Exhibit 4 for more information). Secretary Roob mentioned the recent case where a FSSA employee was arrested for skimming money from the agency by creating a client identity within one of FSSA's administered programs. Secretary Roob further commented about staff apathy and a lack of cooperation in investigating crimes within the agency. Secretary Roob stated that the risks KPMG identified in the audit could jeopardize federal funding that FSSA receives.

Secretary Roob presented the Commission with the administration's plans for the future of FSSA. Currently, FSSA contracts with 10,000 contractors; Secretary Roob would like to reduce this number to 1,000 contractors. FSSA currently operates seven state hospitals but would like to reduce this to not more than one hospital. Secretary Roob stated that not for profit organizations would operate the facilities but that FSSA would still fund the hospitals. This would not save any money but would assist the state if the facility ever became obsolete. Currently, the state's Medicaid program is experiencing a ten percent annual fiscal growth. The administration would like to decrease this amount to a five percent growth. Ninety percent of seniors are residing in nursing homes. FSSA would like to reduce this amount to 50%. (See Exhibit 4 for more information.) Secretary Roob further testified that FSSA would like to decrease the waiting list for Medicaid waivers.

Secretary Roob stated that FSSA is going to alter the manner in which health care is delivered in the state. FSSA will be a health care financing agency. The administration has already headed in this direction by moving child services programs out of FSSA. See Exhibit 4 for more information. The Division of Family Resources will improve its process for determining eligibility for FSSA programs and will be more streamlined. The current structure in determining eligibility is by county and FSSA will change this by centralizing eligibility intake. The current Division of Disability Aging and Rehabilitative Services will be divided into two divisions: the Division of Aging and the Division of Rehabilitative Services. The Division of Aging will focus on transforming long term care from a real estate based model to a services based model. The Division of Rehabilitative Services will reduce waiting lists for programs by asking people receiving the services to live with roommates to decrease costs and increase waiver slots. The Division of Mental Health and Addiction Services will be seeking a federal Substance Abuse & Mental Health Services Administration (SAMHSA) grant and work with the Department of Correction on coordinated care for prisoners who are leaving the prison system. The Division of Maternal and Child Health will focus on medical marketplace contracting and providing care in school settings. FSSA will also be working on implementing the Medicare Part D prescription drug benefit by educating the public and assisting in enrollment.

In response to a question from the Commission concerning how FSSA was going to reduce the number of contractors, Secretary Roob stated that FSSA was looking at contracting on a regional basis with bigger organizations as contractors, using more subcontractors. FSSA will use this consolidation as a way to collect information on the quality of the contractors. Responding to a question concerning how the state hospitals will be financed if administered by not for profit organizations, Secretary Roob testified that the General Assembly would continue to appropriate money to the facilities and that FSSA would oversee the system by having a board membership and keeping control of the purse strings. When asked by the Commission whether there are any exceptions to current waiver recipients living with a roommate, Secretary Roob stated that he knows that there are some situations where a recipient needs to live alone and that will be allowed to continue. FSSA is encouraging people to agree to live with roommates and has told recipients that they will live with a roommate unless a roommate arrangement would result in a risk to the

recipient, the recipient's roommate, or a caregiver, or if the facility does not meet the physical needs of the individual.

The Commission also asked whether legislators would be informed prior to a county office closing and Secretary Roob responded that FSSA did listen to legislators' concerns about the consolidation of the offices in Marion County. In response to a Commission question regarding the lack of funding for developmental disabilities, Secretary Roob stated that there is currently not enough money to provide additional funds but that FSSA is working with providers on establishing a provider assessment similar to the nursing facility quality assessment. In response to how the 10% Medicaid increase will be reduced to 5%, Secretary Roob testified that FSSA would not be eliminating current recipients but instead would be changing how the services are provided.

Chairperson Miller stated that staff would contact the Commission members concerning the next meeting date and that the Commission would look at bill draft proposals at the next meeting. The meeting was adjourned at 3:35 p.m.